



GOVERNOR'S OFFICE OF  
MINORITY AFFAIRS

# **SMALL BUSINESS RESERVE PROGRAM (SBR)**

## **FY 2006 ANNUAL REPORT**

*(July 1, 2005 to June 30, 2006)*

***Martin O'Malley, Governor***  
***Anthony G. Brown, Lt. Governor***

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[www.MDminoritybusiness.com](http://www.MDminoritybusiness.com)

## **SMALL BUSINESS RESERVE PROGRAM (SBRP)**

### **Fiscal Year 2006 Program Status/Results**

The Small Business Reserve Program (SBRP) in State Procurement Law mandates that at least 10% of the total dollar value of procurements made by the twenty-two designated procurement units be to small businesses at the prime contract level. Sections 14-501 – 14-505, State Finance and Procurement Article, Maryland Code Chapter 75, Laws of 2004. The SBRP went into effect on October 1, 2004.

#### **Background**

The twenty-two state designated agencies must comply with the ten percent SBR mandate. SBR agencies are requested each year to develop an SBR procurement forecast that identifies:

- 1) the master list of procurements the agency plans to execute in the upcoming fiscal year;
- 2) the subset of procurements on the master list that are to be designated for SBR participation;
- 3) the projected total procurement payments to be made in the upcoming fiscal year; and
- 4) the methodology and strategy the agency will use to meet the calculated SBR target payment amount by the end of the fiscal year.

A sufficient number of procurements must be set aside for the SBRP so that payments to SBR certified vendors meet or exceed the 10% requirement. Agencies are also required to submit an annual SBR report that summarizes the agency's actual SBR activity over the previous fiscal year.

Small businesses, who meet the SBR business size criteria as defined under law, must self-certify for the program through the Department of General Services (DGS). Once certified, firms must renew yearly and must notify DGS immediately when there is any change in the firm's size/structure/ownership status.

Although the SBR program has been effective since October, 2004, the Governor's Office of Minority Affairs (OMA) was not given responsibility for the success of the program until December, 2005. This was done by order of the Governor, because of the need to help the 22 state agencies, given their struggles, as documented in the 2005 report. The legislature provided OMA with additional tools to get the job done during the 2006 legislative session.

#### **FY2006 Activities**

The Governor's Office of Minority Affairs provides agencies with ongoing technical assistance and training to support their SBR efforts. A SBR focus group was conducted in February, 2006 to identify major agency challenges to proper implementation of the SBR program. A SBR workgroup was formed to provide a forum for all 22 agencies to ask questions, exchange ideas and voice concerns.

OMA met one-on-one with each of the SBR agencies between June, 2006 – September, 2006 to assist with the development of the agency's fiscal year 2007 SBR strategic plan. The meetings allowed OMA to further pinpoint deficiencies and challenges standing in the way of increased SBR participation. The following outline summarizes the major challenges faced by SBR agencies, and the actions taken to overcome them:

**A. Limited search capability of the SBR database hindered SBR designation rates:**

**Challenge:** Agency procurement and purchasing staff were not able to easily find vendors in Department of General Services' SBR database that could provide the good or service needing to be purchased. Agencies were incorrectly relying solely on the existence of SBR firms in the database to decide if a procurement should/should not be designated for SBR. As a result, very few procurements were being set aside for SBR participation and award.

**Action Taken:** OMA provided agencies with alternative methods for locating small businesses (other searchable databases, internet search options, etc.) and, through the SBR workgroup, developed a proposal to integrate the SBR database with eMarylandMarketplace (EMM). DGS has reviewed the workgroup's proposal and is in the process of working with the EMM contractor to complete the necessary changes. Once completed, agencies will be able to easily search for and retrieve lists of SBR-registered firms from EMM. Businesses will also be able to easily identify procurements posted on EMM that are designated for SBR.

**B. Agencies were missing some basic SBR compliance strategies in the strategic plan summaries submitted to OMA.**

**Challenge:** One of the areas overlooked by a number of agencies is the use of state-issued purchasing cards.

**Action Taken:** Given the significant purchasing volume that flows through the P-card program, OMA assisted agency staff in obtaining their organization's P-card SBR utilization data from the Comptroller's office and recommended that a campaign be initiated to make internal accounting staff and p-card users aware of the SBR program. In the future, the P-card SBR strategy will need to include regular feedback to end users and accountability for the number and amount of p-card purchases made from small businesses.

**Challenge:** Small procurements (up to 25K) and procurements between 25K and 200K typically represent projects that could be performed by SBR firms. OMA's analysis of agencies' FY 07 procurement lists showed that agencies were not including procurements in these dollar ranges in SBR pool when the nature and scope clearly warranted inclusion.

**Action Taken:** During the one-on-one meetings, OMA was able to point out these missed opportunities and train agency staff on how to better identify projects that meet the criteria for SBR designation.

**C. Agencies were unsure what procurement payments should be included in the base procurement amount; this dollar amount forms the basis for the 10% SBR target amount.**

**Challenge:** Nothing in law or regulation clarifies whether purchases such as utilities, loan/lease payments, etc. should be included as a "procurement payment" for SBR purposes; however, given the tools the legislature provided OMA during the 2006 session, OMA is equipped to address this challenge via training and changes to reporting policies.

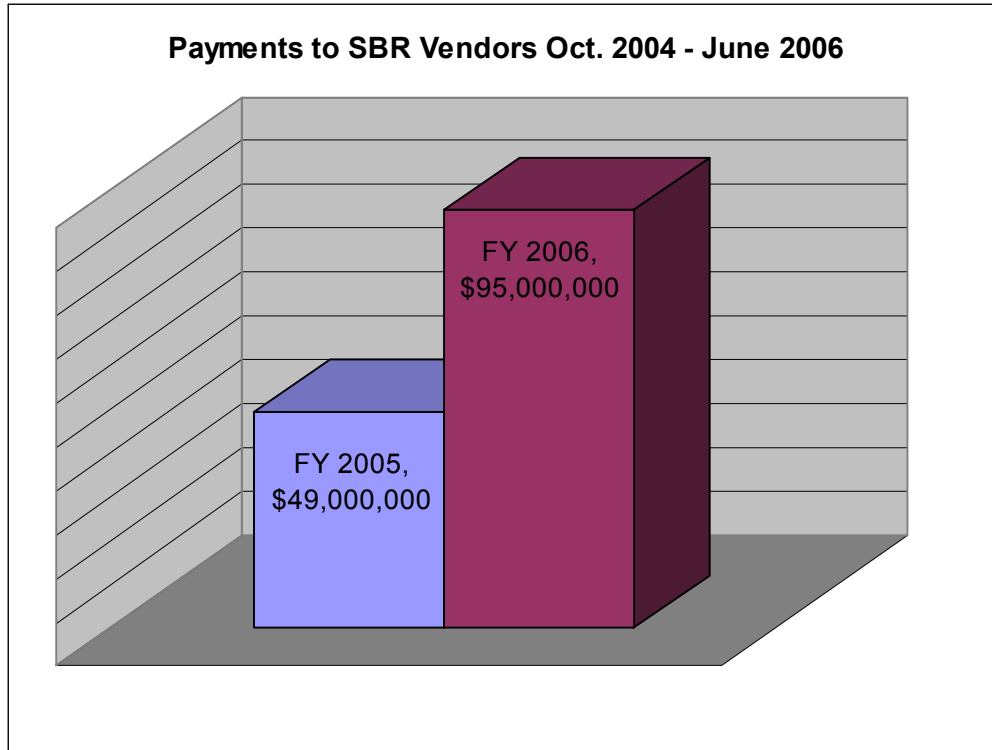
**Action Taken:** OMA facilitated discussion groups with senior procurement staff from the University of Maryland, MDOT and DBED in September, 2005 to receive feedback on this issue. OMA is working with the Office of the Attorney General to provide final clarification for the agencies.

**Challenge:** Data collection and reporting issues were also a major source of concern for the SBR agencies.

**Action Taken:** Through focus groups and regular SBR workgroup meetings, most of these concerns have been resolved. OMA worked with the Department of Budget and Management to modify certain FMIS standard reports to include additional data needed to assist agencies with making projections and reporting accurate SBR payment figures

### **Measurements and Outcomes**

- Agencies have reported that working with OMA over the last several months to develop their respective FY'07 strategic plans has helped in understanding the level of effort and coordination required. Most SBR agencies have created and issued new policies and procedures that should make the FY'08 SBR strategic planning and end-of-year reporting process easier.
- The twenty-two SBR agencies collectively reported payments of approximately \$49,000,000 directly to SBR-registered firms during the first nine months of the program's existence (between October 1, 2004 and June 30, 2005). Given the many inconsistencies in the data reported to the Comptroller during the '04/05 period, the data reported is at best problematic and perhaps even overstated.
- For the current reporting period, all twenty-two agencies have completed and submitted their FY'07 strategic plans and have reported their final FY'06 SBR compliance figures. These figures have, where possible, been verified by OMA to ensure the problems found in the 2005 reporting period have been eliminated.
- Nine of the twenty-one reporting agencies met or exceeded the 10% requirement.
- Collective payments to SBR firms in FY'06 were in excess of \$95,000,000; almost double that of FY'05. The statewide overall SBR percentage stands at 6.2% for FY'06.



### **Legislation**

The Small Business Reserve Program was designed to be a pilot with a June, 2007 sunset date. Legislation has been submitted for the 2007 General Assembly session to extend the program until 2011.

<b>SMALL BUSINESS RESERVE (SBR) ACTIVITY SUMMARY FOR FY 2006</b>						
	<b>(sorted by SBR Procurement Dollars)</b>					
<b>Agency Name</b>				<b>SBR Procurement Dollars</b>	<b>Total Procurement Dollars</b>	<b>SBR Goal Achieved</b>
MDOT				\$34,494,653	\$458,184,938	7.53%
University of Maryland System				\$24,349,004	\$448,729,108	5.43%
<i>UM College Park</i>	\$11,818,442	\$127,892,013	9.24%			
<i>UM at Baltimore</i>	\$5,726,068	\$151,193,747	3.79%			
<i>Towson University</i>	\$1,631,461	\$37,397,246	4.36%			
<i>Salisbury State University</i>	\$1,129,726	\$22,287,236	5.07%			
<i>UM University College</i>	\$799,907	\$13,654,678	5.86%			
<i>UM Baltimore County</i>	\$744,902	\$42,196,675	1.77%			
<i>Bowie State University</i>	\$714,898	\$7,536,996	9.49%			
<i>University of Baltimore</i>	\$657,572	\$11,272,777	5.83%			
<i>UM Eastern Shore</i>	\$510,492	\$9,386,414	5.44%			
<i>Coppin State University</i>	\$472,238	\$7,056,177	6.69%			
<i>Frostburg State University</i>	\$143,298	\$18,855,149	0.76%			
General Services				\$11,551,392	\$115,007,326	10.04%
Business and Economic Development				\$5,609,452	\$48,217,847	11.63%

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Public Safety and Correctional Services				\$4,760,860	\$61,017,826	7.80%
Health and Mental Hygiene				\$3,206,178	\$97,588,473	3.29%
Stadium Authority				\$1,666,109	\$9,252,469	18.01%
State Police				\$1,448,566	\$16,904,710	8.57%
Port Administration				\$1,421,939	\$43,495,102	3.27%
MSDE				\$1,020,874	\$74,524,287	1.37%
Natural Resources				\$1,017,651	\$13,543,176	7.51%
Human Resources				\$942,988	\$25,165,465	3.75%
Morgan State University				\$890,728	\$48,207,112	1.85%
Department of Environment				\$873,597	\$4,618,959	18.91%
Budget and Management				\$782,144	\$7,329,270	10.67%
Juvenile Services				\$564,974	\$46,153,404	1.22%

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Labor, Licensing and Regulation				\$439,813	\$25,766,160	1.71%
Lottery				\$437,651	\$4,262,273	10.27%
Housing and Community Development				\$316,869	\$3,181,059	9.96%
State Retirement Agency				\$176,187	\$1,374,237	12.82%
Insurance Administration				\$90,064	\$1,026,797	8.77%
Treasurer's Office				\$68,891	\$578,572	11.91%
<b>STATEWIDE TOTAL</b>				<b>\$96,130,584</b>	<b>\$1,554,128,570</b>	<b>6.19%</b>